

For: CMA's

**7 CFR Part 1425 Final Rule Amended the 15-Day Rule**

**Approved by:** Acting Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

A final rule published in the FR on July 28, 2006, amended 7 CFR 1425.18 and changed what is commonly known to CMA's as the 15-day rule. Before the amendment, CCC-approved CMA's were directed to pay CCC marketing assistance loan (MAL) and LDP proceeds to members within 15 workdays of receipt from CCC, except when loans were redeemed within 15 workdays of the date of the loan and taking into consideration any advances before obtaining a MAL or LDP. The unintended consequence of this policy was that:

- the policy was interpreted and administered differently from CMA to CMA
- some CMA's with members requesting deferred payments were waiting until the end of the calendar year and submitting all MAL transactions at the same time, thereby stressing CCC loan making systems
- the policy may:
  - conflict with IRS regulations that govern cooperative member accounting and disbursement functions
  - contain guidance on deferred payments.

**B Purpose**

This notice provides:

- new policy on distributing CMA proceeds to members participating in marketing pools
- instruction to CMA's to implement the policy.

Disposal Date	Distribution
October 1, 2007	CMA's

## Notice CMA-100

### 1 Overview (Continued)

#### C Contact

CMA's shall direct questions about this notice to Chris Kyer by either of the following:

- e-mail to **chris.kyer@wdc.usda.gov**
- telephone at 202-720-7935.

### 2 CMA Distribution of Proceeds

#### A Pool Distribution Requirements

1-CMA, subparagraph 104 B will be amended as follows. If CCC makes MAL's or LDP's to a CMA for any quantity in a loan pool, the related proceeds shall be distributed by the CMA or otherwise made available to the members account:

- based on the quantity and quality of the commodity delivered to each member
- less any authorized charges for services performed or paid by the CMA necessary to condition or otherwise make the commodity eligible for loans or LDP's, according to the uniform marketing agreement provided in 1-CMA, paragraph 41
- crediting any advances made to members before MAL's or LDP's were obtained
- within 15 workdays from the date the CMA receives MAL or LDP proceeds from CCC or held according to the terms of a deferred payment agreement if requested by the member.

Further pool distribution policies in 1-CMA, subparagraph 104 B unchanged by the final rule are as follows:

- MAL pool proceeds shall not be combined with non-MAL pool proceeds
- only MAL and LDP proceeds shall be issued to members who are involved in pools used for MAL's or LDP's
- when notified by CCC that MAL or LDP distributions to a member must be reduced for a program year, farm, or crop, CMA shall:
  - not make subsequent pool distributions
  - reimburse CCC for distributions previously issued, if applicable.

**3 Implementing the New Policy**

**A Applicability**

The new policy about pool distribution requirements is only applicable to CMA's. It is not applicable to Designated Marketing Associations (DMA's) or LSA's because the regulations governing DMA's and LSA's are not contained in 7 CFR Part 1425.

**B CMA Actions**

CMA's that obtain MAL's and LDP's and hold pool distribution proceeds for the account of their members according to deferred payment agreements:

- shall seek and follow IRS, not CCC, guidance on deferred payment agreements
- shall, in order to comply with the requirements of this notice, amend and submit any marketing agreements or addenda, including copies of any deferred payment agreements, to PSD for concurrence
- are no longer required to delay placing commodities under MAL, to delay redeeming such loans or to delay obtaining LDP's for the purpose of complying with deferred payment agreements.